

Appendix 1: Materials used by Mr. Sack

Class II FOMC - Restricted FR

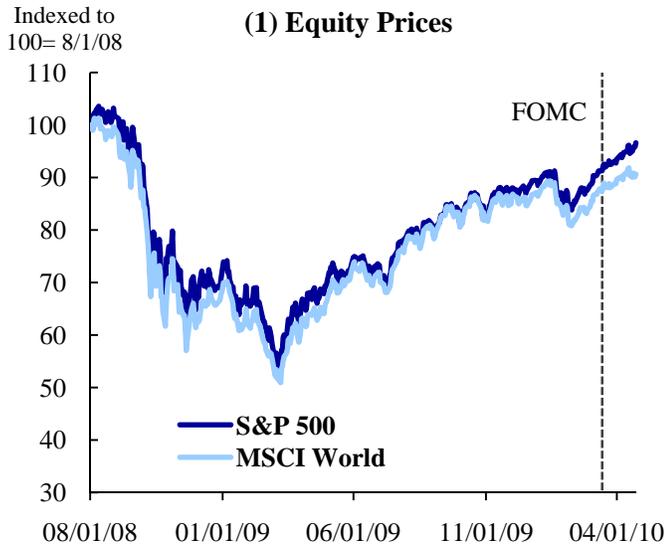
Material for

FOMC Presentation:

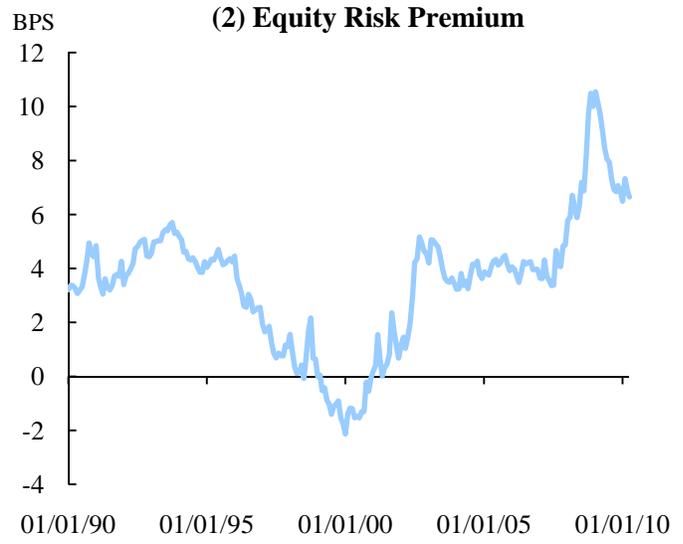
Financial Market Developments and Desk Operations

Brian Sack

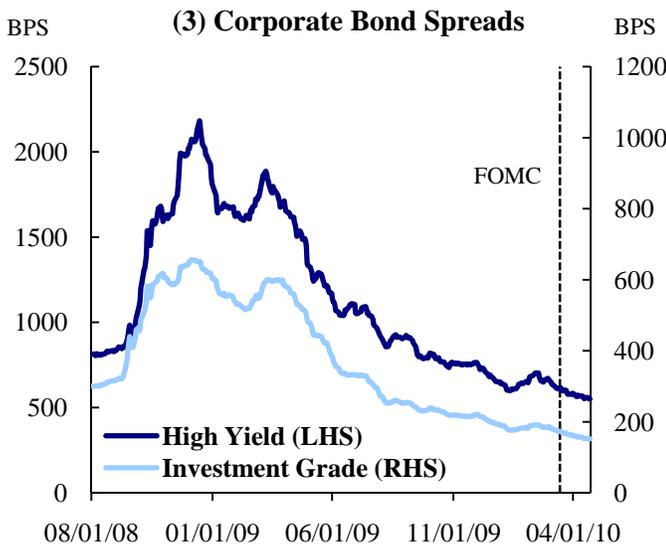
April 27, 2010



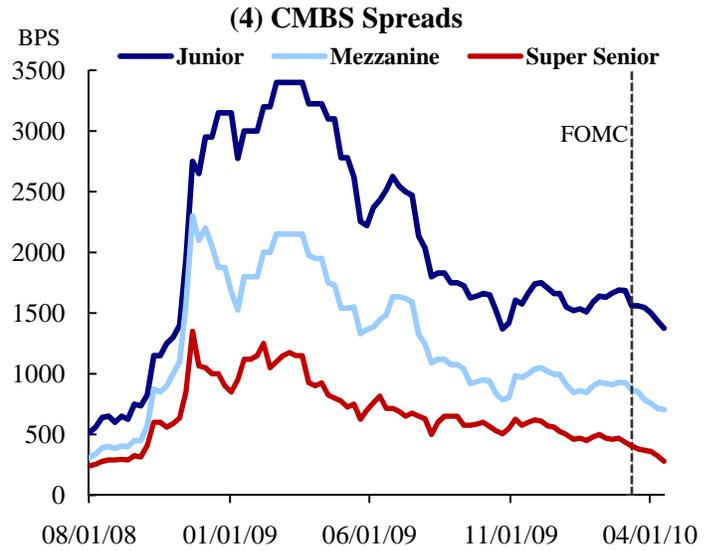
Source: Bloomberg



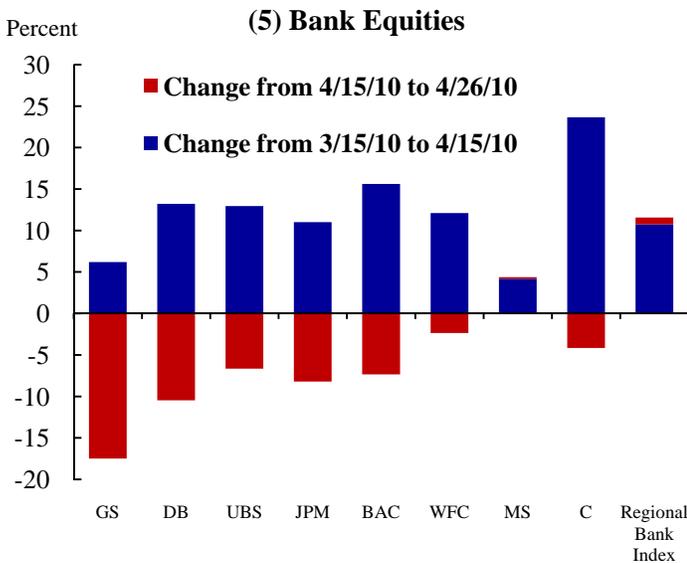
Source: Federal Reserve Board of Governors. Last observation is 04/21/10.



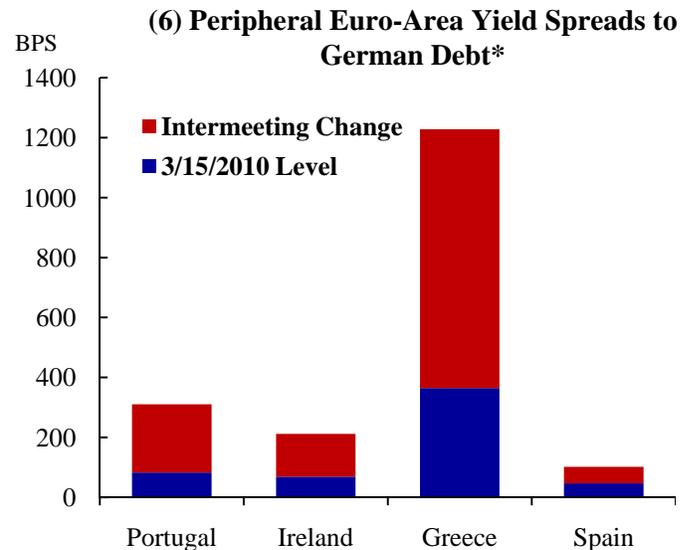
Source: Bank of America



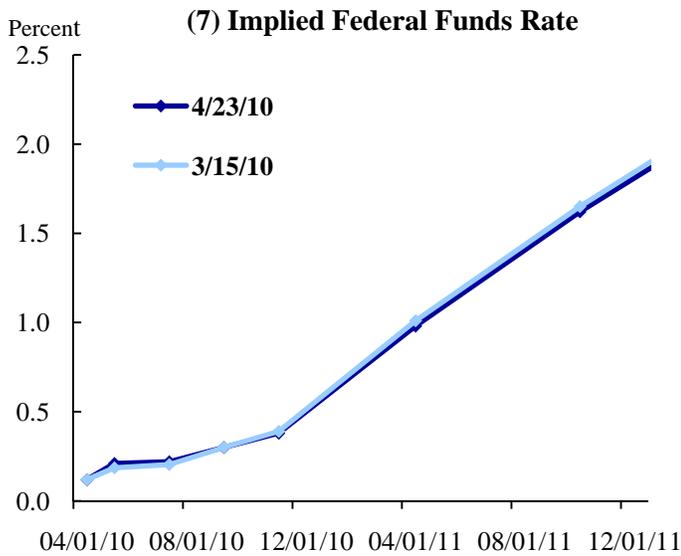
Source: JP Morgan



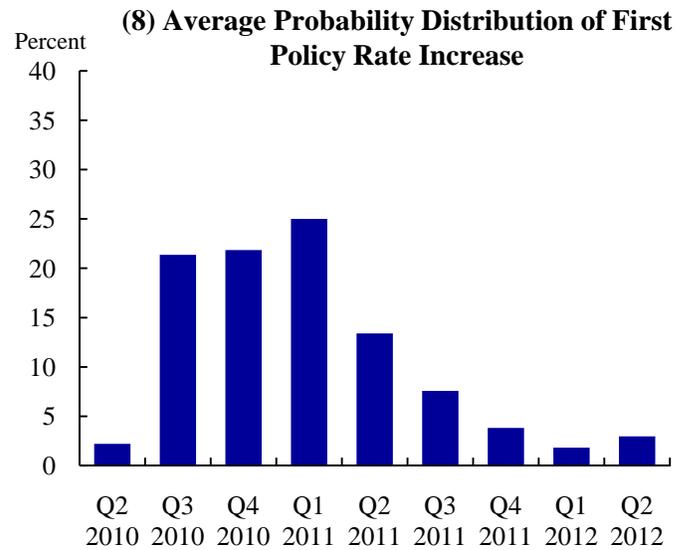
Source: Bloomberg



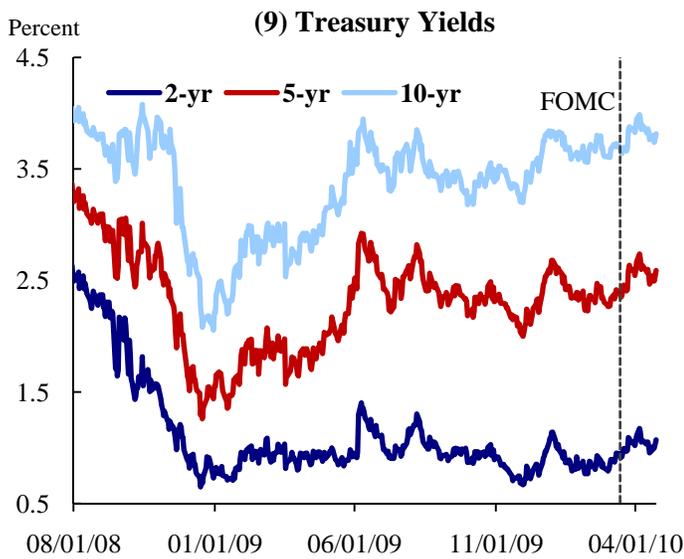
*2-yr yields. Source: Bloomberg



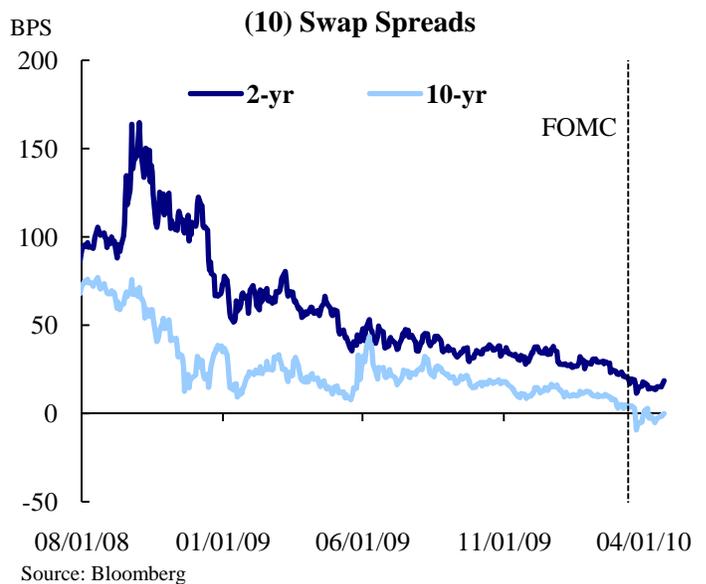
Source: Federal Reserve Bank of New York



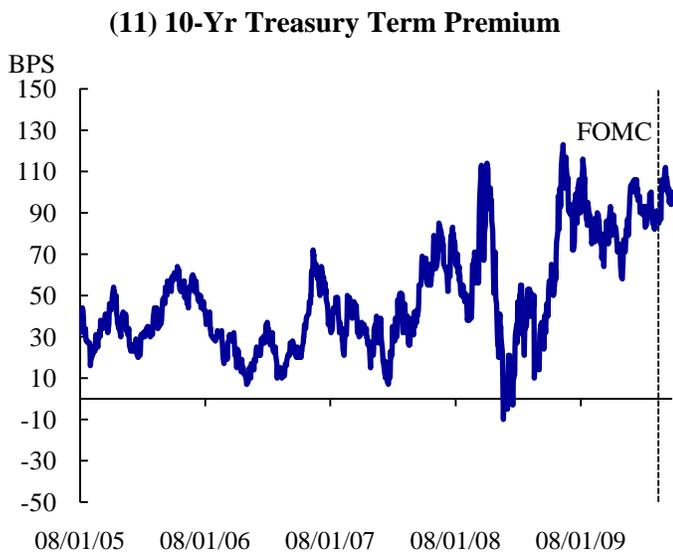
Source: Federal Reserve Bank of New York Policy Survey, including responses from primary dealers and buy-side firms



Source: Bloomberg



Source: Bloomberg

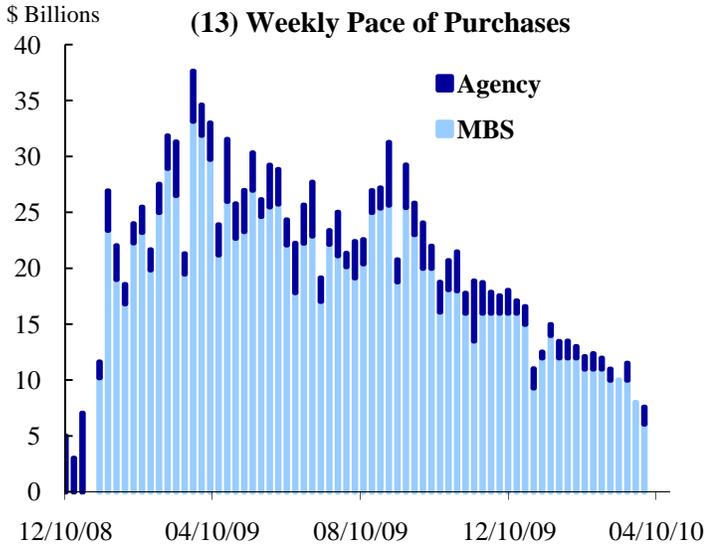


Source: Federal Reserve Bank of New York

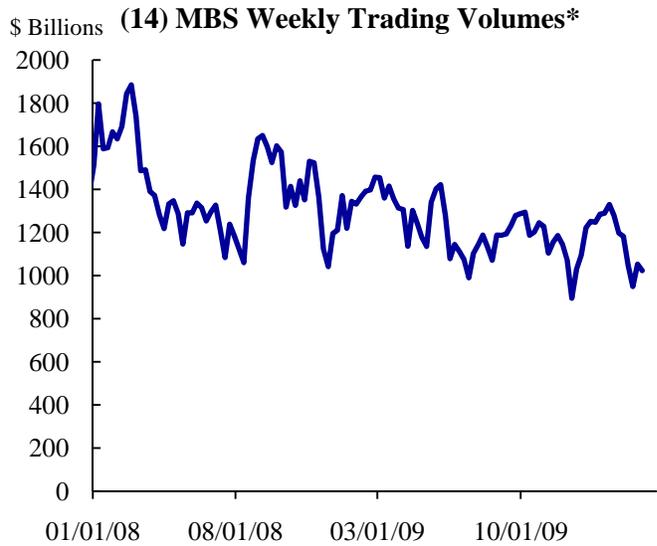
(12) Average Probability of Federal Reserve Treasury Redemption Policies

	2010 Q2	2011 Q2	2012 Q2
All	23%	24%	23%
Some	11%	26%	34%
None	66%	50%	43%

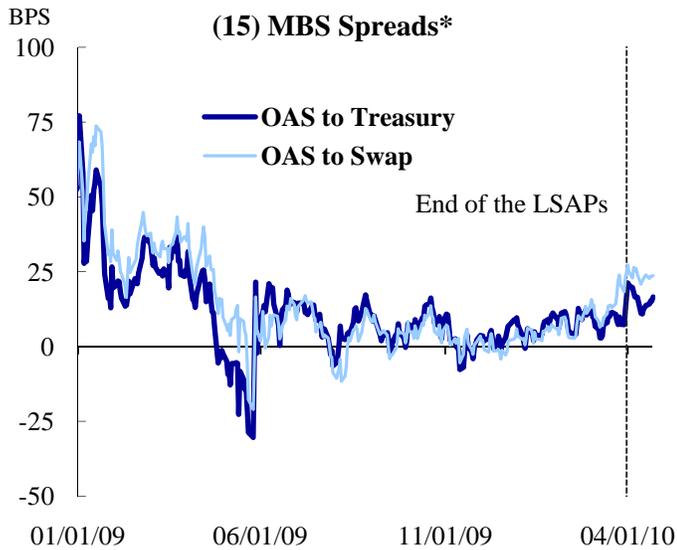
Source: Federal Reserve Bank of New York Dealer Policy Survey



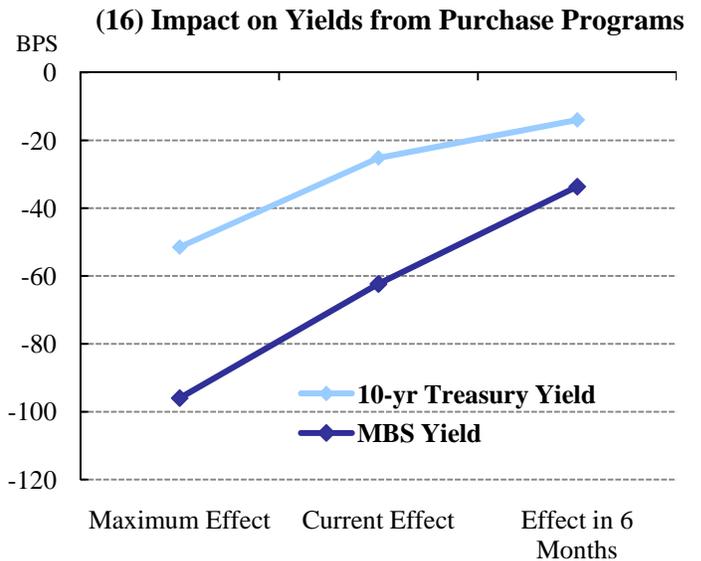
Source: Federal Reserve Bank of New York



*4-wk moving average. Source: FR2004 (1/2 interdealer + customer)



* Fannie Mae fixed-rate current coupon spreads; Source: Barclays Capital

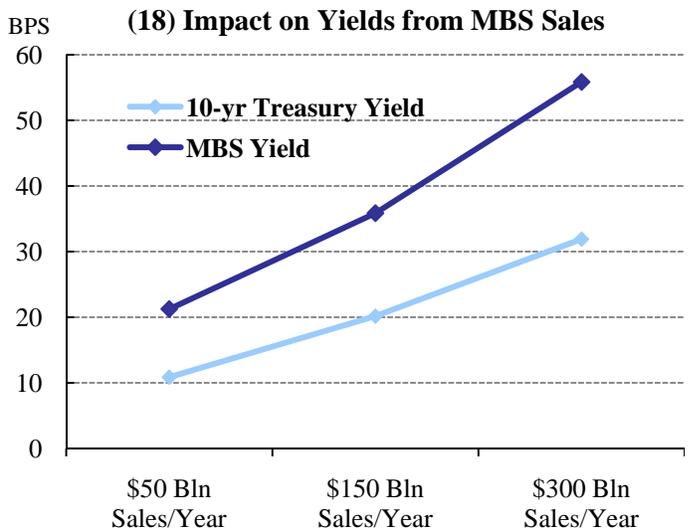


Source: Federal Reserve Bank of New York Policy Survey, including responses from primary dealers and buy-side firms

(17) Probability of Asset Sales

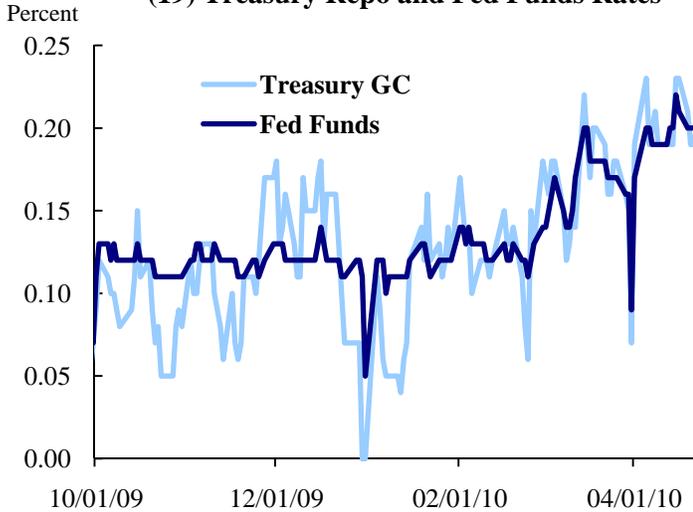
	Time Horizon	
	2 Yrs	5 Yrs
Treasuries	15%	25%
Agencies	20%	50%
MBS	25%	70%

Source: Federal Reserve Bank of New York Policy Survey, including responses from primary dealers and buy-side firms



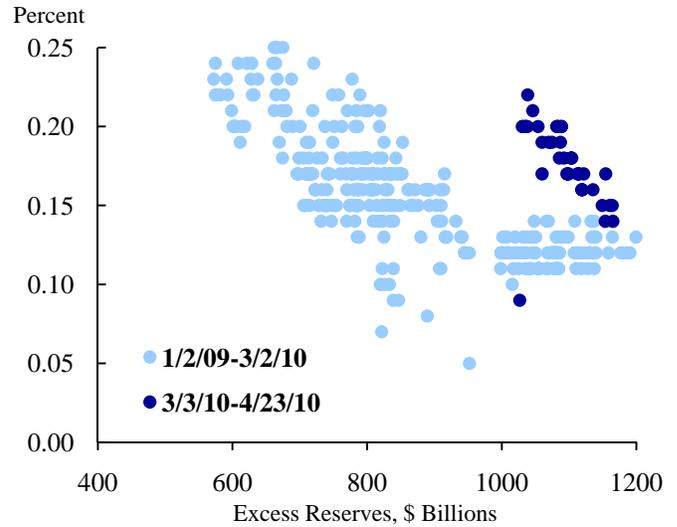
Source: Federal Reserve Bank of New York Policy Survey, including responses from primary dealers and buy-side firms

(19) Treasury Repo and Fed Funds Rates



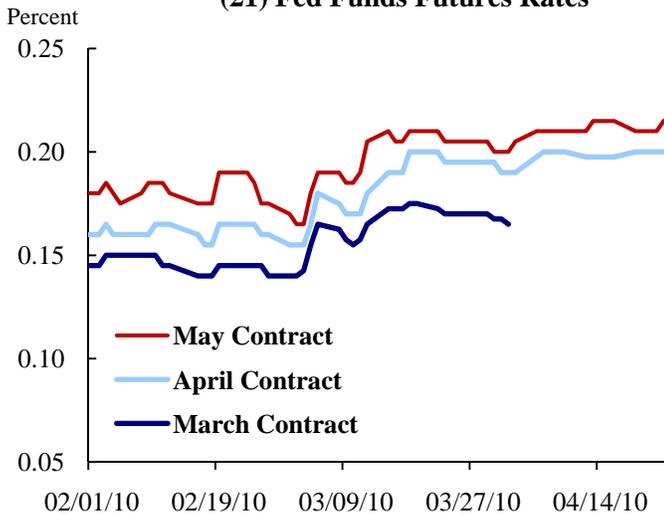
Source: Federal Reserve Bank of New York

(20) Excess Reserves and the Fed Funds Rate



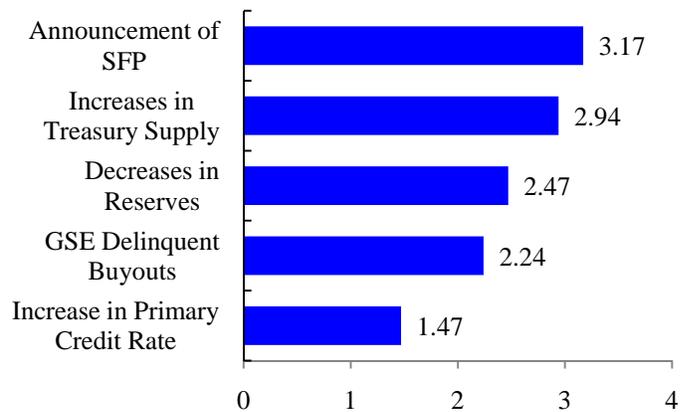
Source: Federal Reserve Bank of New York

(21) Fed Funds Futures Rates



Source: Bloomberg

(22) Factors Leading to Increase in Fed Funds Rate*



*Ratings were constructed by assigning the following values: Not important=1, Somewhat Important=2, Important =3, Very Important=4. The weighted average was then taken to construct the average rating.

Source: Federal Reserve Bank of New York Dealer Policy Survey

Appendix 2: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

*Material for Briefing on
Strategies for Asset Sales and Redemptions*

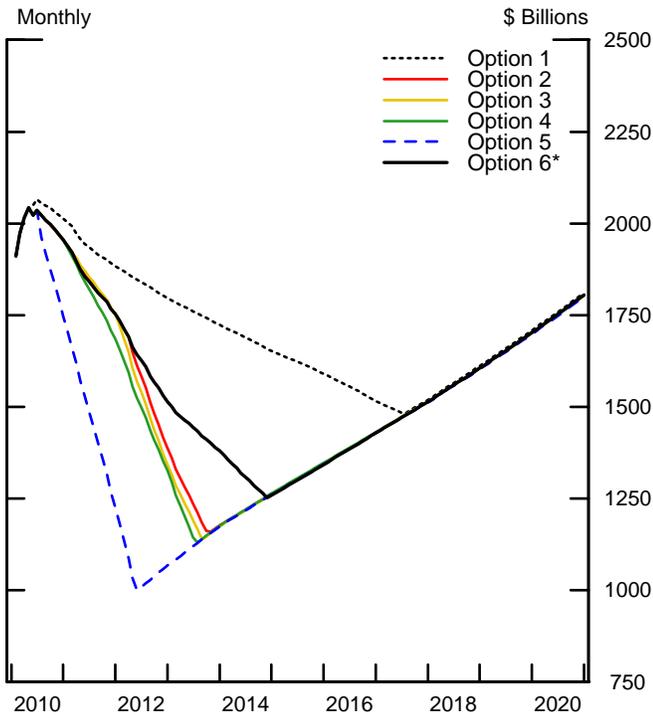
Brian Madigan
April 27, 2010

**Table 1: Possible Longer-Run Approaches to Redemptions and Asset Sales
Characteristics Assumed in the Staff Analysis**

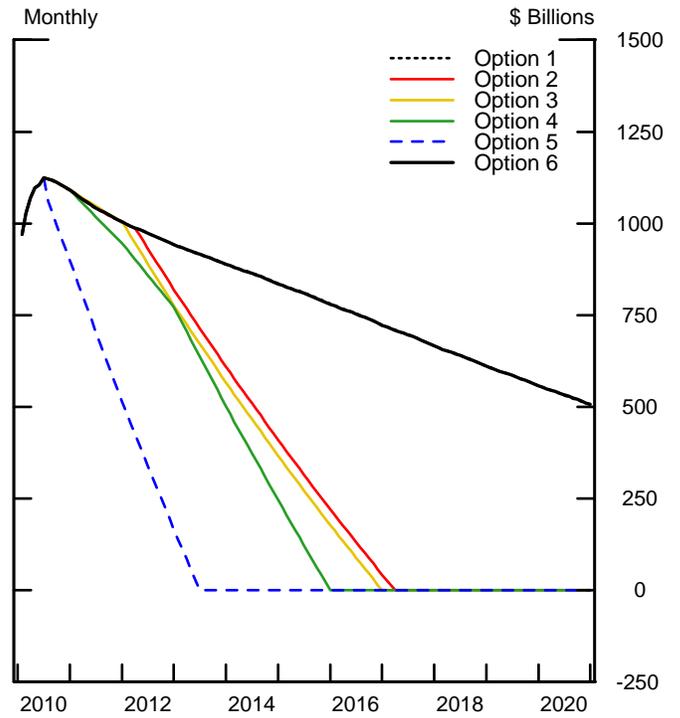
	Treasury Redemptions Begin	Sales of agency-related securities			Conditionality of Sales
		Average pace \$billion/month	Start	Finish	
Option 1: No asset sales	None	\$0	N/A	N/A	N/A
Option 2: Asset sales after increase in target	May 3	\$15	One quarter after target increase	Five years after sales commence	Moderate
Option 3: Conditional pace of sales	May 3	\$15	Before increase in the target, but increase in target under Option 3 would be later than under baseline.	Five years after sales commence, depending on developments	Strong
Option 4: Reverse taper	May 3	\$5 in 2011 \$10 in 2012 \$20 in 2013-15	January 2011	December 2015	Virtually none
Option 5: Rapid sales	May 3	\$30	July 2010	June 2013	Limited

Exhibit 2 Balance Sheets Greenbook-consistent Projections

SOMA holdings

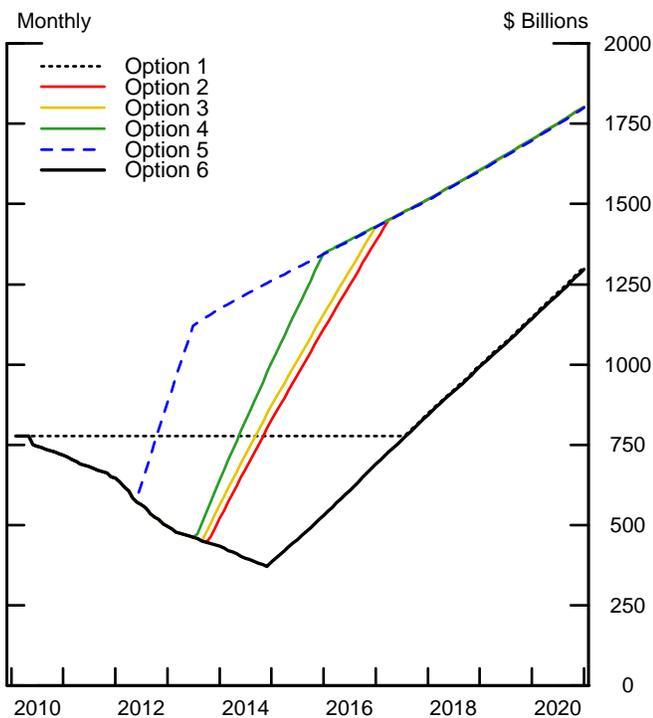


MBS holdings



* Redemptions for Treasury and agency securities, redemptions and prepayments for agency mortgage-backed securities; no asset sales.

Treasury holdings



Reserve balances

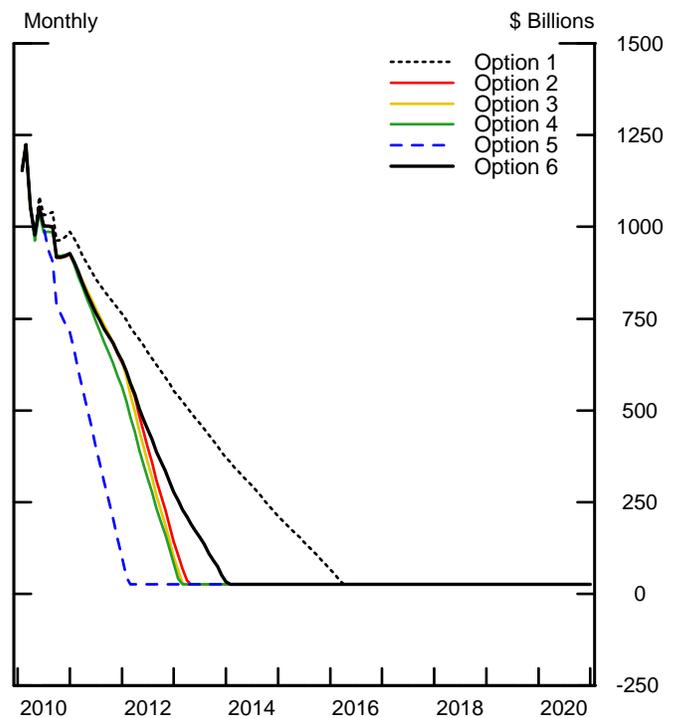
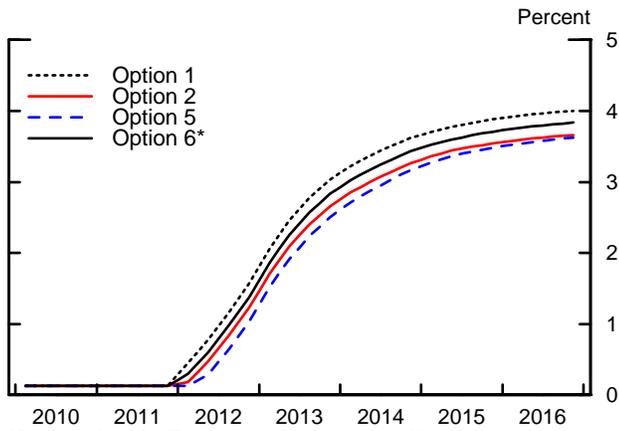


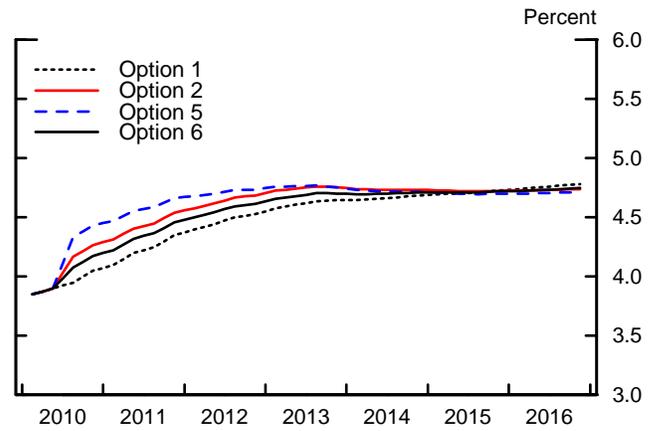
Exhibit 3 Macroeconomic Consequences Under Alternative Balance Sheet Strategies Greenbook-consistent Projections

Federal funds rate

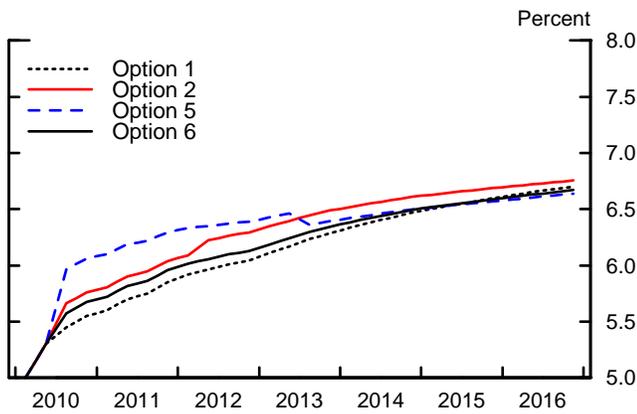


*Redemptions for Treasury and agency securities, redemptions and prepayments for agency mortgage-backed securities; no asset sales.

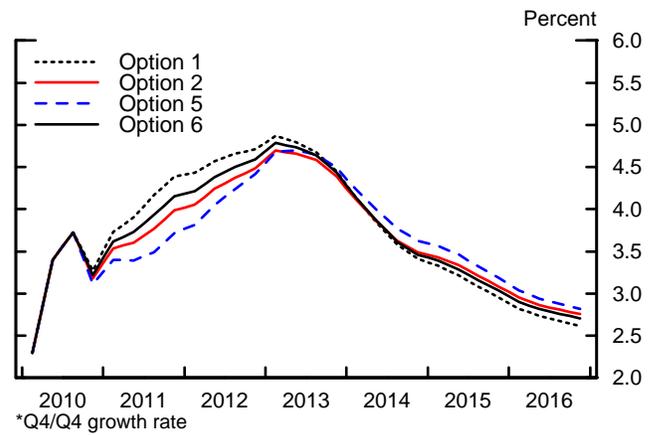
10-year Treasury interest rate



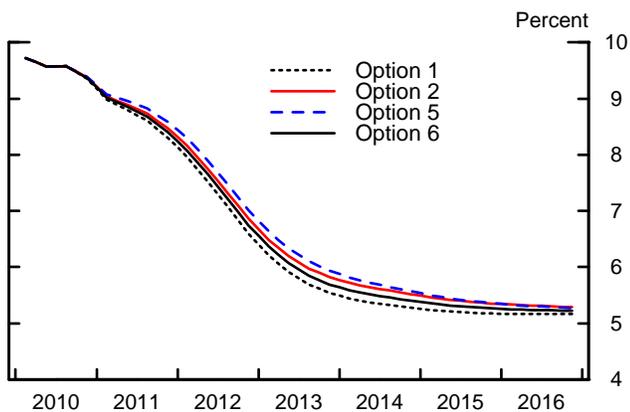
30-year mortgage rate



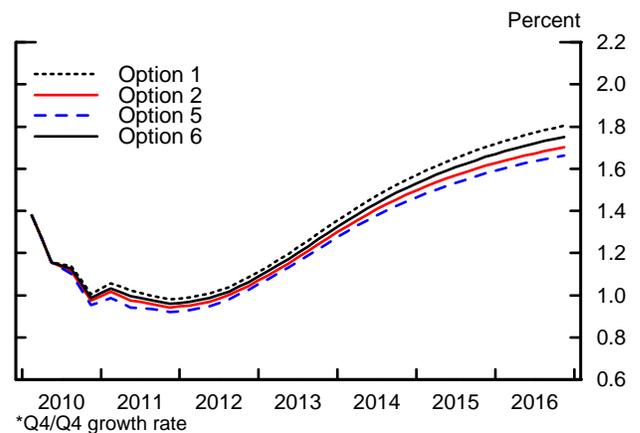
Real GDP growth*



Unemployment rate



Core PCE inflation*



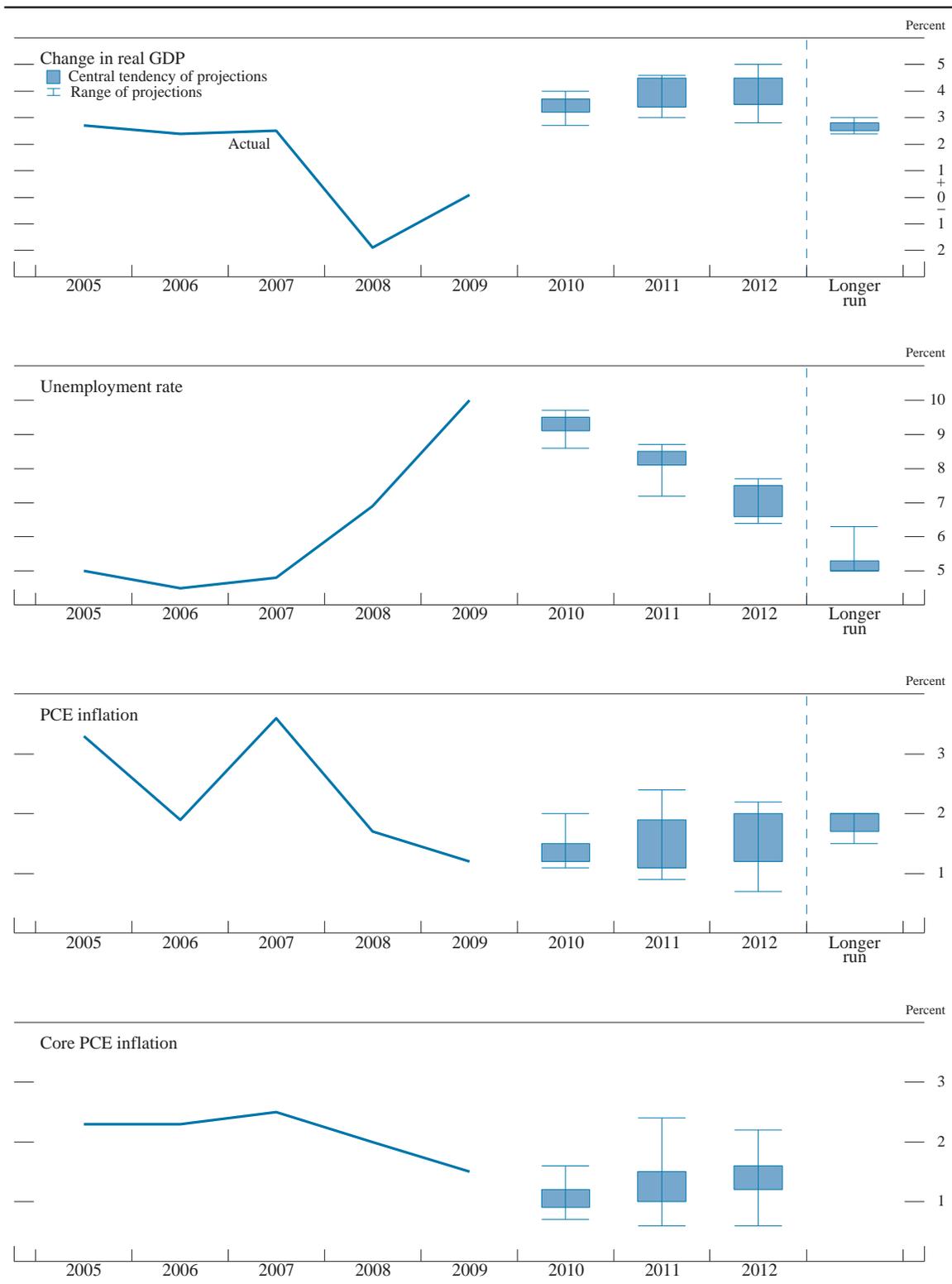
Appendix 3: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

*Material for Briefing on
FOMC Participants' Economic Projections*

Brian Madigan
April 27, 2010

Exhibit 1. Central tendencies and ranges of economic projections, 2010–12 and over the longer run



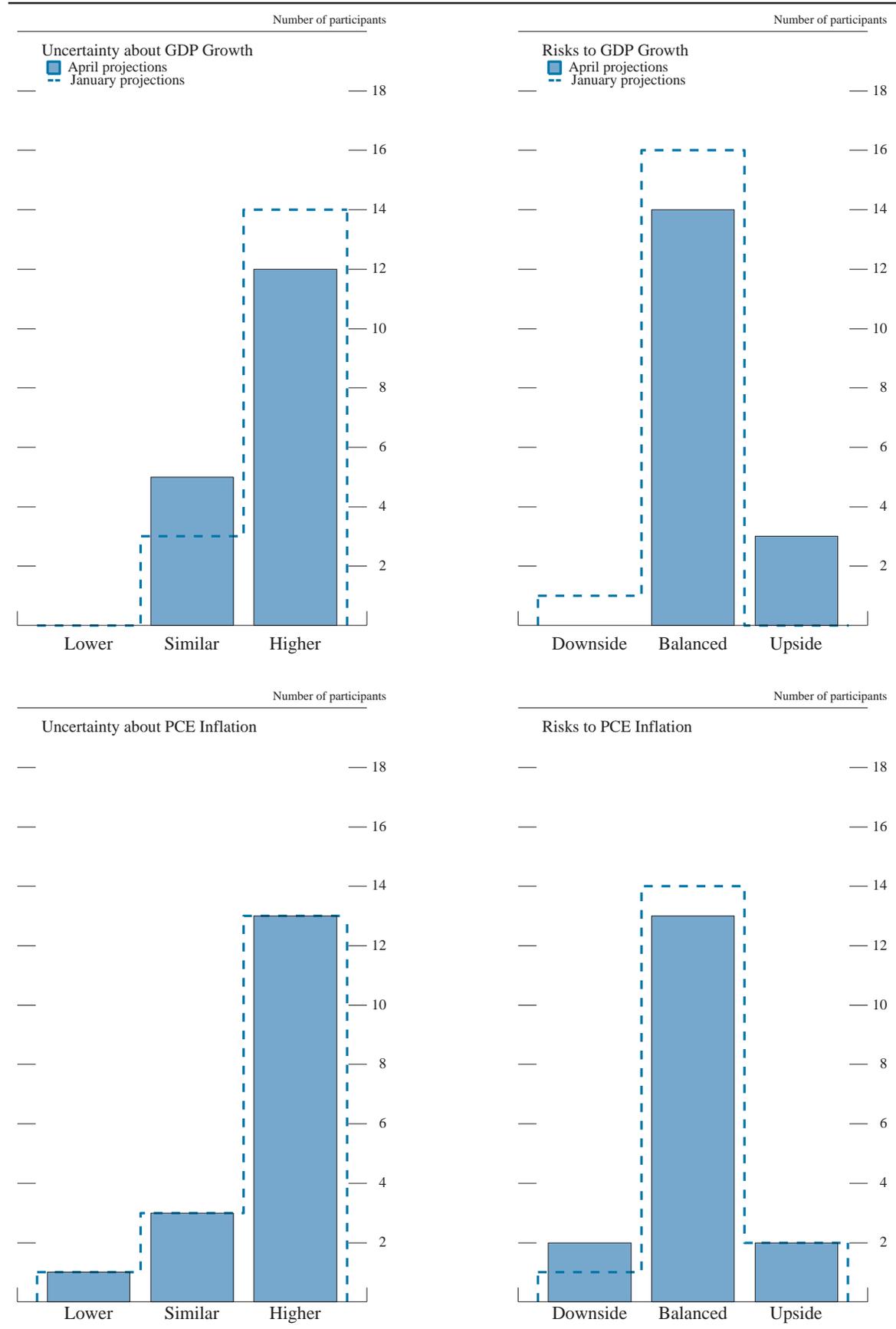
NOTE: Definitions of variables are in the notes to table 1. The data for the actual values of the variables are annual.

Exhibit 2: Economic Projections for 2010-2012 and Longer Run

Real GDP Growth				
	2010	2011	2012	Longer Run
Central Tendency	3.2 to 3.7	3.4 to 4.5	3.5 to 4.5	2.5 to 2.8
<i>January projections</i>	2.8 to 3.5	3.4 to 4.5	3.5 to 4.5	2.5 to 2.8
Range	2.7 to 4.0	3.0 to 4.6	2.8 to 5.0	2.4 to 3.0
<i>January projections</i>	2.3 to 4.0	2.7 to 4.7	3.0 to 5.0	2.4 to 3.0
Memo: Greenbook	3.5	4.4	4.7	2.5
<i>January Greenbook</i>	3.6	4.7	4.5	2.5
Unemployment Rate				
	2010	2011	2012	Longer Run
Central Tendency	9.1 to 9.5	8.1 to 8.5	6.6 to 7.5	5.0 to 5.3
<i>January projections</i>	9.5 to 9.7	8.2 to 8.5	6.6 to 7.5	5.0 to 5.2
Range	8.6 to 9.7	7.2 to 8.7	6.4 to 7.7	5.0 to 6.3
<i>January projections</i>	8.6 to 10.0	7.2 to 8.8	6.1 to 7.6	4.9 to 6.3
Memo: Greenbook	9.3	8.2	6.7	5.2
<i>January Greenbook</i>	9.5	8.2	6.1	5.2
PCE Inflation				
	2010	2011	2012	Longer Run
Central Tendency	1.2 to 1.5	1.1 to 1.9	1.2 to 2.0	1.7 to 2.0
<i>January projections</i>	1.4 to 1.7	1.1 to 2.0	1.3 to 2.0	1.7 to 2.0
Range	1.1 to 2.0	0.9 to 2.4	0.7 to 2.2	1.5 to 2.0
<i>January projections</i>	1.2 to 2.0	1.0 to 2.4	0.8 to 2.0	1.5 to 2.0
Memo: Greenbook	1.3	1.0	1.1	2.0
<i>January Greenbook</i>	1.4	1.1	1.3	2.0
Core PCE Inflation				
	2010	2011	2012	
Central Tendency	0.9 to 1.2	1.0 to 1.5	1.2 to 1.6	
<i>January projections</i>	1.1 to 1.7	1.0 to 1.9	1.2 to 1.9	
Range	0.7 to 1.6	0.6 to 2.4	0.6 to 2.2	
<i>January projections</i>	1.0 to 2.0	0.9 to 2.4	0.8 to 2.0	
Memo: Greenbook	0.9	0.9	1.1	
<i>January Greenbook</i>	1.2	1.1	1.2	

NOTE: See Table 1 for variable definitions

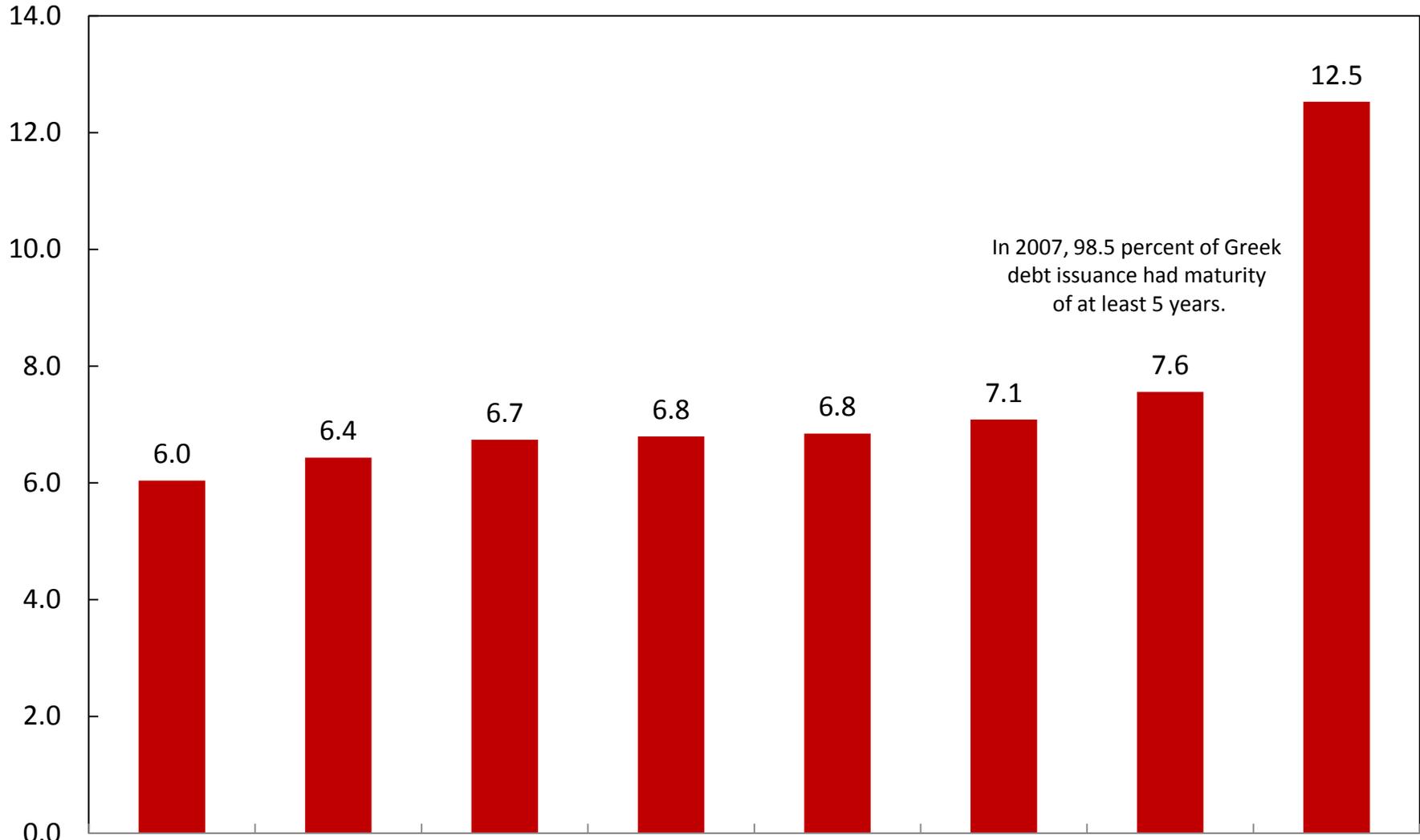
Exhibit 3. Risks and Uncertainty in Economic Projections



Appendix 4: Materials used by Mr. Sheets

Europe: Average Residual Maturity of Outstanding Government Debt

Years



* Average residual maturity of marketable debt, as of April 15, 2010.

Appendix 5: Materials used by Mr. Sack

FEDERAL RESERVE SYSTEM

Date: April 28, 2010

To: Federal Open Market Committee

From: William English, Brian Madigan, and Brian Sack

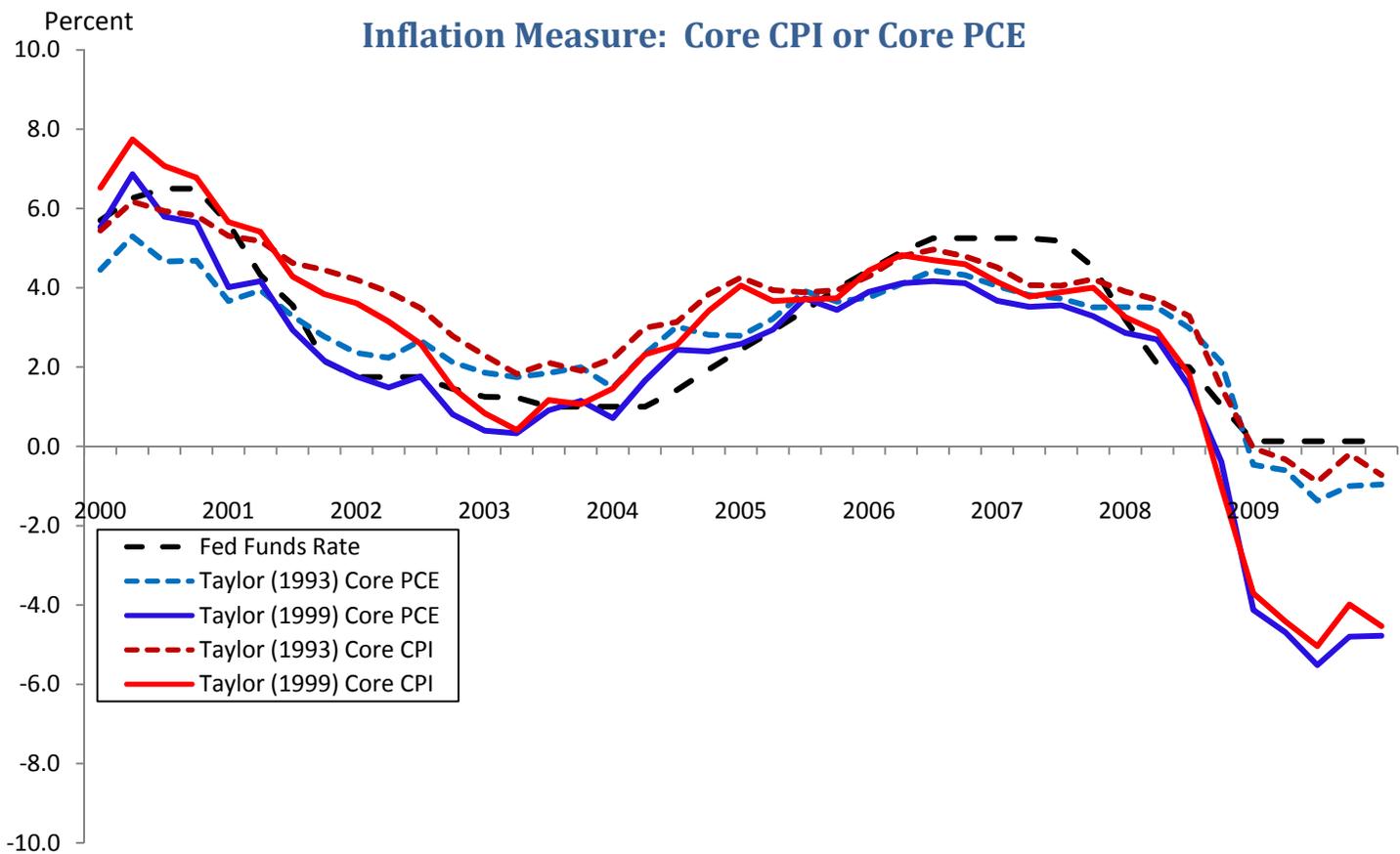
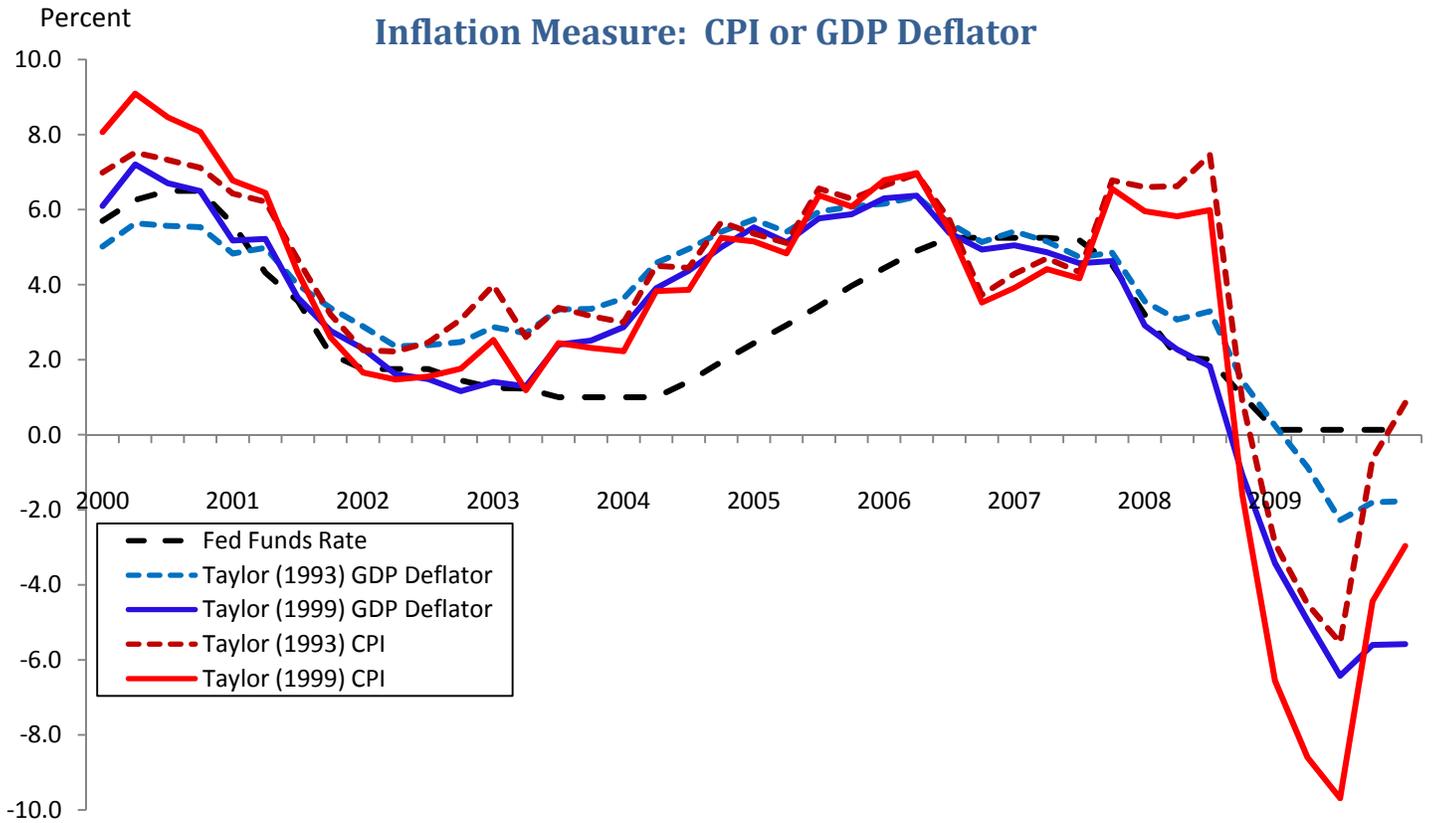
Subject: Redemption of Treasury Securities Under Alternative Approaches

In yesterday's discussion of the redemption strategy for the Federal Reserve's holdings of Treasury securities, several FOMC members raised the possibility of running down our holdings of longer-term securities while continuing to reinvest in shorter-term issues. The table below summarizes the amount of redemptions achieved under several potential strategies along these lines.

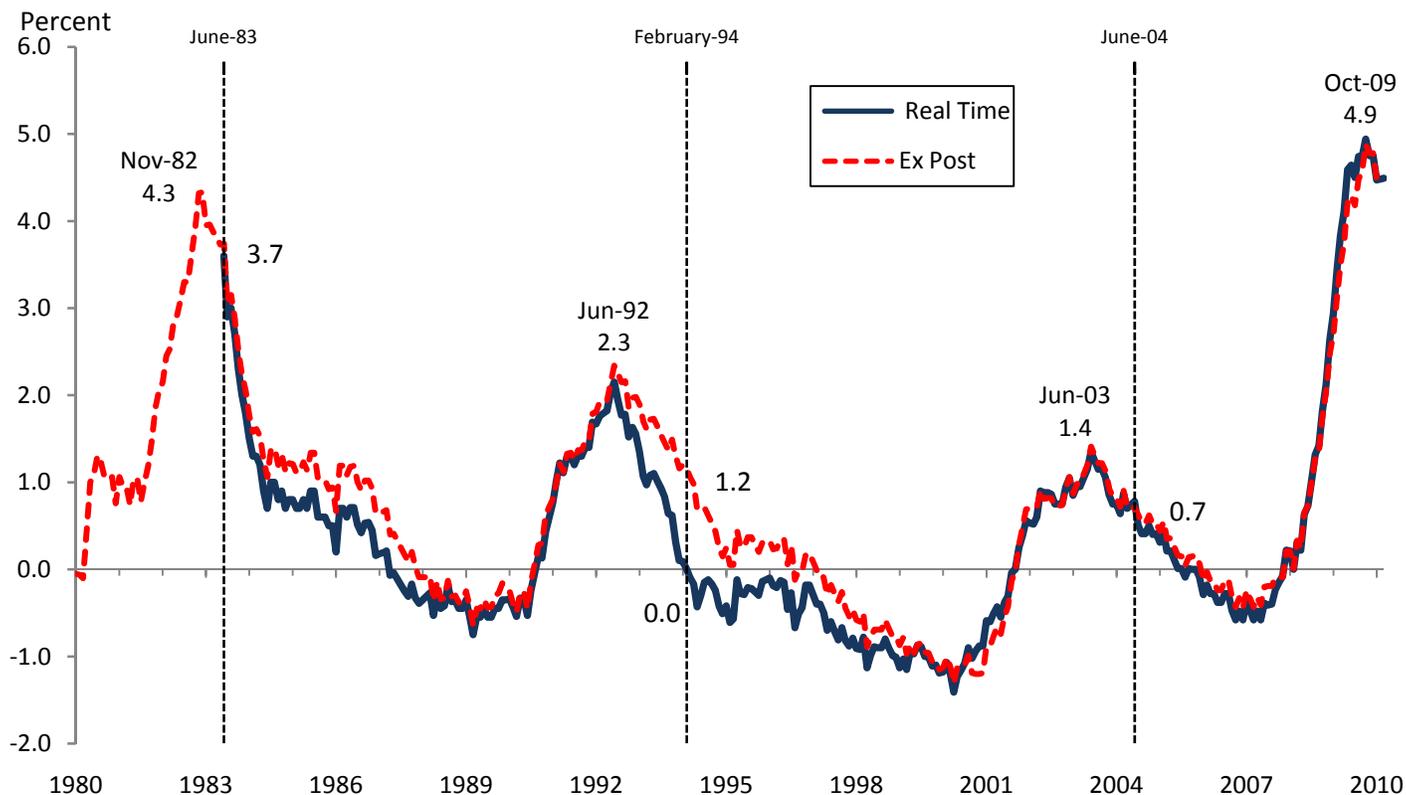
Cumulative Redemptions of Treasury Securities Under Alternative Approaches				
(\$ Billions)				
	2010	2011	2012	2013
Full Redemption Strategy	60	130	268	330
Redeem Holdings of Longer-term Securities				
Original Maturity of 3 Years or More	16	58	192	254
Original Maturity of 5 Years or More	12	46	105	158
Original Maturity of 7 Years or More	3	8	18	34
Reinvest Maturing Holdings into Short-term Instruments				
Invest in Bills at Auction	39	99	216	264
Invest in Bills and 2-yr Notes at Auction	16	30	102	123
Invest in Bills, 2- and 3-yr Notes at Auction	0	0	0	0
Invest in Bills in Secondary Market	0	0	0	0
<i>All figures are year-end amounts assuming redemptions begin May 3.</i>				

Appendix 6: Materials used by Chairman Bernanke

Comparison of Taylor Rule Prescriptions



The Unemployment Gap and the Commencement of Tightening



Net Changes in Nonfarm Payrolls

Dates	Millions	Percent
Nov. 1982 to June 1983	1.24	1.4
June 1992 to Feb. 1994	4.04	3.7
June 2003 to June 2004	1.60	1.2
Oct. 2009 to March 2010	0.12	0.1

The Recent Evolution of Consumer Prices and M2

(Annualized Changes through March 2010, in Percent)

	CPI	Core CPI	CPI ex. OER	Core CPI ex. OER	M2
3-Month	0.9	-0.2	1.5	0.1	-1.5
6-Month	1.7	0.6	2.4	1.1	1.3
12-Month	2.3	1.1	3.1	1.6	1.5

Appendix 7: Materials used by Mr. English

Class I FOMC – Restricted-Controlled FR

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English

April 27-28, 2010

March FOMC Statement

1. Information received since the Federal Open Market Committee met in January suggests that economic activity has continued to strengthen and that the labor market is stabilizing. Household spending is expanding at a moderate rate but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software has risen significantly. However, investment in nonresidential structures is declining, housing starts have been flat at a depressed level, and employers remain reluctant to add to payrolls. While bank lending continues to contract, financial market conditions remain supportive of economic growth. Although the pace of economic recovery is likely to be moderate for a time, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability.
2. With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time.
3. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. To provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve has been purchasing \$1.25 trillion of agency mortgage-backed securities and about \$175 billion of agency debt; those purchases are nearing completion, and the remaining transactions will be executed by the end of this month. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.
4. In light of improved functioning of financial markets, the Federal Reserve has been closing the special liquidity facilities that it created to support markets during the crisis. The only remaining such program, the Term Asset-Backed Securities Loan Facility, is scheduled to close on June 30 for loans backed by new-issue commercial mortgage-backed securities and on March 31 for loans backed by all other types of collateral.

April FOMC Statement—Alternative A

1. Information received since the Federal Open Market Committee met in **March** suggests that economic activity has continued to strengthen and that the labor market is **showing signs of improving**. **Although growth in** household spending **has picked up recently, it is likely to** remain constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software has risen significantly; however, investment in nonresidential structures is declining and employers remain reluctant to add to payrolls. Housing starts have **edged up but remain** at a depressed level. While bank lending continues to contract, financial market conditions remain supportive of economic growth.
2. **Although** longer-term inflation expectations **have remained** stable, **recent data suggest** inflation **has been trending down in response to** substantial resource slack. **The Committee anticipates that** inflation is likely to be **quite** subdued for some time.
3. **To promote a more robust economic recovery in a context of price stability**, the Committee **anticipates maintaining** the target range for the federal funds rate at 0 to ¼ percent for an extended period—**until** economic conditions **such as appreciably higher** rates of resource utilization, **increasing** inflation **pressures, or rising** inflation expectations warrant **a less accommodative monetary policy**. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.
4. **[To gradually reduce the size of the Federal Reserve’s balance sheet and return it to a more normal composition over time, the Committee will maintain its approach of not reinvesting the proceeds of maturing agency debt and payments on mortgage-backed securities held by the System Open Market Account. The Committee is continuing to roll over maturing Treasury securities.]**
5. In light of improved functioning of financial markets, the Federal Reserve has **closed all but one of** the special liquidity facilities that it created to support markets during the crisis. The only remaining such program, the Term Asset-Backed Securities Loan Facility, is scheduled to close on June 30 for loans backed by new-issue commercial mortgage-backed securities; **it closed** on March 31 for loans backed by all other types of collateral.

April FOMC Statement—Alternative B

1. Information received since the Federal Open Market Committee met in **March** suggests that economic activity has continued to strengthen and that the labor market is **beginning to improve**. **Growth in** household spending **has picked up recently** but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software has risen significantly; however, investment in nonresidential structures is declining and employers remain reluctant to add to payrolls. Housing starts have **edged up but remain** at a depressed level. While bank lending continues to contract, financial market conditions remain supportive of economic growth. Although the pace of economic recovery is likely to be moderate for a time, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability.
2. With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time.
3. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.
4. **[To gradually reduce the size of the Federal Reserve’s balance sheet and return it to a more normal composition over time, the Committee will maintain its approach of not reinvesting the proceeds of maturing agency debt and payments on mortgage-backed securities held by the System Open Market Account. The Committee is continuing to roll over maturing Treasury securities.]**

OR

To gradually reduce the size of the Federal Reserve’s balance sheet over time, the Committee will maintain its approach of not reinvesting the proceeds of maturing agency debt and payments on mortgage-backed securities held by the System Open Market Account. In addition, on May 3 the Committee will stop reinvesting the proceeds of maturing Treasury securities.]

5. In light of improved functioning of financial markets, the Federal Reserve has **closed all but one of** the special liquidity facilities that it created to support markets during the crisis. The only remaining such program, the Term Asset-Backed Securities Loan Facility, is scheduled to close on June 30 for loans backed by new-issue commercial mortgage-backed securities; **it closed** on March 31 for loans backed by all other types of collateral.

April FOMC Statement—Alternative C

1. Information received since the Federal Open Market Committee met in **March indicates** that economic activity has continued to strengthen and that the labor market is **improving**. **Though** investment in nonresidential structures is declining, housing starts have **edged up, growth in** household spending **has increased, and** business spending on equipment and software has risen significantly. While bank lending continues to contract, financial market conditions **have become more** supportive of economic growth. **With** economic recovery **under way**, the Committee anticipates a gradual return to higher levels of resource utilization.
2. **Although energy prices have risen on balance in recent months**, inflation **has remained** subdued. **The Committee will adjust the stance of monetary policy as necessary over time to ensure that** longer-term inflation expectations **remain well anchored and that inflation outcomes are consistent with price stability**.
3. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and **now** anticipates that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for **some time**.
4. **The Committee will maintain its approach of not reinvesting the proceeds of maturing agency debt and payments on mortgage-backed securities held by the System Open Market Account. In addition, on May 3 the Committee will stop reinvesting the proceeds of maturing Treasury securities. To further reduce the size of the Federal Reserve's balance sheet, and to return the balance sheet to a more normal composition, the Committee anticipates that it will soon begin gradual sales of agency debt and mortgage-backed securities. The timing and pace of such sales will depend on evolving economic and financial conditions.**
The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.
5. In light of improved functioning of financial markets, the Federal Reserve has **closed all but one of** the special liquidity facilities that it created to support markets during the crisis. The only remaining such program, the Term Asset-Backed Securities Loan Facility, is scheduled to close on June 30 for loans backed by new-issue commercial mortgage-backed securities; **it closed** on March 31 for loans backed by all other types of collateral.

Table 1: Overview of Alternatives for the April 28 FOMC Statement

March Statement		April Alternatives		
		A	B	C
<i>Economic Activity</i>				
Recent Developments	has continued to strengthen	has continued to strengthen	has continued to strengthen	has continued to strengthen
Labor Market	is stabilizing; high unemployment; employers remain reluctant to add to payrolls	is showing signs of improving; high unemployment; employers remain reluctant to add to payrolls	is beginning to improve; high unemployment; employers remain reluctant to add to payrolls	is improving
Outlook	recovery likely to be moderate for a time; gradual return to higher levels of resource utilization	---	recovery likely to be moderate for a time; gradual return to higher levels of resource utilization	recovery under way; gradual return to higher levels of resource utilization
<i>Inflation</i>				
Recent Developments	substantial slack is restraining cost pressures; stable inflation expectations	stable inflation expectations but recent data suggest inflation is trending down in response to slack	substantial slack is restraining cost pressures; stable inflation expectations	energy prices have risen on balance in recent months but inflation remains subdued
Outlook	likely to be subdued for some time	likely to be quite subdued for some time	likely to be subdued for some time	policy adjustments will ensure inflation outcomes consistent with price stability
<i>Federal Funds Rate Target</i>				
Intermeeting Period	0 to ¼ percent	0 to ¼ percent	0 to ¼ percent	0 to ¼ percent
Forward Guidance	economic conditions are likely to warrant exceptionally low levels for an extended period	anticipate maintaining the 0 to ¼ percent target range for an extended period—until economic conditions such as . . . warrant a less accommodative policy	economic conditions are likely to warrant exceptionally low levels for an extended period	economic conditions are likely to warrant exceptionally low levels for some time
<i>Reinvestment and Sales of SOMA Assets</i>				
Approach		[do not reinvest proceeds of agency debt and MBS but continue to roll over maturing Treasuries]	[do not reinvest proceeds of agency debt and MBS but continue to roll over maturing Treasuries] OR [no reinvestment]	no reinvestment; “Committee anticipates that it will soon begin gradual sales of agency debt and MBS”

MARCH 2010 FOMC DIRECTIVE

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to complete the execution of its purchases of about \$1.25 trillion of agency MBS and of about \$175 billion in housing-related agency debt by the end of March. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

APRIL 2010 FOMC DIRECTIVE — ALTERNATIVE A

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve’s agency MBS transactions. [To gradually reduce the size of the Federal Reserve’s balance sheet and return it to a more normal composition over time, the Committee directs the Desk to not reinvest the proceeds of maturing agency debt and payments on mortgage-backed securities held by the System Open Market Account.] The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.

APRIL 2010 FOMC DIRECTIVE — ALTERNATIVE B

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve’s agency MBS transactions. [To gradually reduce the size of the Federal Reserve’s balance sheet and return it to a more normal composition over time, the Committee directs the Desk to not reinvest the proceeds of maturing agency debt and payments on mortgage-backed securities held by the System Open Market Account. OR To gradually reduce the size of the Federal Reserve’s balance sheet over time, the Committee directs the Desk to not reinvest the proceeds of maturing Treasury and agency debt and payments on mortgage-backed securities held by the System Open Market Account.]

The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.

APRIL 2010 FOMC DIRECTIVE — ALTERNATIVE C

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve’s agency MBS transactions. **To gradually reduce the size of the Federal Reserve’s balance sheet over time, the Committee directs the Desk to not reinvest the proceeds of maturing Treasury and agency debt and payments on mortgage-backed securities held by the System Open Market Account.** The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.